



**Pacific Gas and
Electric Company.**



PACIFIC GAS AND ELECTRIC COMPANY
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Memorandum of Understanding

The Company and the Union have been in discussions about increasing the frequency by which Short-Term Incentive Plan (STIP) awards are paid for ESC members who are STIP eligible. The Plan will remain an annual plan but will have the potential to deliver value on a quarterly basis based on year-to-date Company performance. The changes being made to the STIP program primarily focus on employee retention, safety and the financial performance of the Company rather than the Company's performance with an individual performance modifier. Generally, the participation rates and definition of eligible earnings remain unchanged, although eligible earnings will now be calculated quarterly. Eligible earnings will be based upon actual earnings received during the quarter. If adjustments/corrections to earnings are needed, those adjustments will be applied to the calculation for the quarter during which the adjustment is made. The Company score is still determined by the Company, now quarterly instead of annually, and each quarter shall be subject to Board of Director discretion and approval. The Union will be notified of the score not less than seven days prior to payment. Once notification is provided, the score cannot be changed.

The proposed changes for the 2019 STIP plan include:

1. Payout frequency shifts from annually to quarterly.
2. Payout mechanics shift from Company performance with an individual performance modifier to 100% Company performance as the qualifier for STIP eligibility. This eliminates the Individual Modifier as a component of the STIP award*.

* Quarterly as an exception and to incentivize top performance, approximately 10% of all STIP-eligible participants (represented and non-represented excluding officer level employees) will receive an individual performance modifier of 125%. The Company will choose these incented employees according to an objective criterion, supplied to the Union. Represented employees will not be discriminated against and the Company will make its best effort to incent represented employees.

3. Subject to the requirements of paragraph 5, in order to be eligible for a STIP award, employees must be on active status (i.e., not Long Term Disability (LTD) or Workers' Compensation) on the last day of the quarter.
4. If employees move between jobs, one with a higher STIP participation rate and one with a lower STIP participation rate, employees will receive the higher STIP participation rate for that quarter.
5. Employees who terminate during the quarter may be eligible for STIP payments. If separation is involuntary and not for cause, employees will receive a pro-rated payment for the quarter based on their termination date. Terminations prior to the last day of a quarter due to cause, retirement or voluntary resignation will not be eligible to receive a payment for the quarter of termination or for any STIP payments thereafter. PG&E will not recoup any payments made prior to termination date.

6. For the 2019 STIP awards, the normal participation rates shall be increased by 25% (ex. employee usually participates at 10%, for 2019 they would participate at 12.5%).

A 2018-vs-2019 STIP Plan Design Comparison and Plan Comparison Examples are attached to this Memorandum of Understanding (MOU) and are incorporated by reference. The overall 2019 STIP plan is subject to Board of Director and Bankruptcy Court approval.

These changes to the STIP Program shall be in effect for one year from January 1, 2019, through December 31, 2019 (including payment of fourth quarter 2019 awards in 2020), provided the Bankruptcy Court approves the 2019 Plan. If the Court does not approve this Plan, the Company will negotiate with the Union over any changes. The Union will withdraw its Business Manager's Grievance (#24943) with prejudice upon approval of this Plan by the bankruptcy court and employees' receipt of the first payment in the new 2019 plan.

After December 31, 2019, the Company may retain the new Plan or revert to the prior Plan. If the Company decides to pursue other options, the parties may agree to negotiate a new Plan.

In the event there are conflicts between the contract and this MOU, the MOU shall prevail.

March 5, 2019

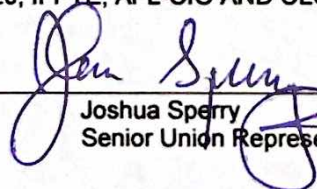
PACIFIC GAS AND ELECTRIC COMPANY

By:


Matthew Levy
Director

ENGINEERS AND SCIENTISTS OF CALIFORNIA
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By:


Joshua Sperry
Senior Union Representative

3/5, 2019

2018 – 2019 STIP Comparison



Together, Building
a Better California

Background / Summary of Proposed Changes

- Changes being made to the STIP as we shift our focus to employee retention and financial performance, while maintaining significant emphasis on Safety
- Five primary changes:
 - 1) Plan performance period and payout frequency shifts from annual to quarterly
 - 2) Payout mechanics shift from Company performance with an individual performance modifier to 100% Company performance
 - 3) Increased weighting on Financial metric, decreases emphasis on Customer metric
 - 4) Maximum payout reduced from 200% to 150%
 - 5) Employees who terminate during the year may be eligible for STIP payments



Plan Design Comparison

Design Element	2018 STIP	Proposed 2019 STIP	
Performance Period(s)	January 1 – December 31	January 1 – March 31 April 1 – June 30	July 1 – September 30 October 1 – December 31
Payment Frequency	Annually in Feb. of following year	Quarterly, as soon as practicable following quarter close	
Incentive Targets	Annual Target = Annual Eligible Earnings * Participation Rate	Quarterly Target = Quarterly Eligible Earnings * Participation Rate	
Payout Mechanics	Company Score * Annual Target * IPM ⁽¹⁾	Cumulative Quarterly Company Score * Cumulative Incentive Target - YTD STIP Payments	
Performance Measures & Weights	Public Safety: 35% Employee Safety: 15% Customer: 25% Financial: 25%	Public Safety: 35% Employee Safety: 15% Customer: 10% Financial: 40%	
Payout Ranges	Threshold: 50% Target: 100% Maximum: 200%	Threshold: 50% Target: 100% Maximum: 150%	
Impact of Termination	No payout if terminated for any reason prior to December 31	Involuntary, not for cause: Prorated payment for the quarter Other reasons: no payment for quarter of termination <No recoupment of payments made prior to termination date>	

(1) Individual Performance Modifier is equal to the average of the individual modifiers for non-represented LL20, PL20, LL30 and PL30 employees with the corresponding performance rating.



Plan Comparison Examples

Current Plan

Example 1: Below Target at Year-end

Annual Incentive Target \$10,000	Q1 2020
Company Score	90%
IPM*	90%
Annual Payout	\$8,100

Example 2: Above Target at Year-end

Annual Incentive Target \$10,000	Q1 2020
Company Score	125%
IPM*	125%
Annual Payout	\$15,625

Example 3: At Target at Year-end

Annual Incentive Target \$10,000	Q1 2020
Company Score	100%
IPM*	100%
Annual Payout	\$10,000

*Individual Performance Modifier is equal to the average of the individual modifiers for non-represented LL20, PL20, LL30 and PL30 employees with the corresponding performance rating.

Proposed Plan

Example 1: Above Target During Year and Below at Year-end (T-H-H-L)

Annual Incentive Target \$10,000	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Quarterly Incentive Target	\$2,500	\$2,500	\$2,500	\$2,500
Cumulative Incentive Targets	\$2,500	\$5,000	\$7,500	\$10,000
Cumulative Company Score	100%	125%	130%	90%
Quarterly Award*	\$2,500	\$6,250	\$9,750	\$9,000
Prior Quarterly Payments Made	\$0	\$2,500	\$6,250	\$9,750
Quarterly Payment Due	\$2,500	\$3,750	\$3,500	\$0
Cumulative Total Payout	\$2,500	\$6,250	\$9,750	\$9,750

Example 2: Above Target at Year-end (T-H-H-H)

Annual Incentive Target \$10,000	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Quarterly Incentive Target	\$2,500	\$2,500	\$2,500	\$2,500
Cumulative Incentive Targets	\$2,500	\$5,000	\$7,500	\$10,000
Cumulative Company Score	100%	110%	120%	125%
Quarterly Award*	\$2,500	\$5,500	\$9,000	\$12,500
Prior Quarterly Payments Made	\$0	\$2,500	\$5,500	\$9,000
Quarterly Payment Due	\$2,500	\$3,000	\$3,500	\$3,500
Cumulative Total Payout	\$2,500	\$5,500	\$9,000	\$12,500

Example 3: Above Target During Year and at Target at Year-end (L-T-H-T)

Annual Incentive Target \$10,000	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Quarterly Incentive Target	\$2,500	\$2,500	\$2,500	\$2,500
Cumulative Incentive Targets	\$2,500	\$5,000	\$7,500	\$10,000
Cumulative Company Score	90%	100%	120%	100%
Quarterly Award*	\$2,250	\$5,000	\$9,000	\$10,000
Prior Quarterly Payments Made	\$0	\$2,250	\$5,000	\$9,000
Quarterly Payment Due	\$2,250	\$2,750	\$4,000	\$1,000
Cumulative Total Payout	\$2,250	\$5,000	\$9,000	\$10,000

*Cumulative YTD calculated award